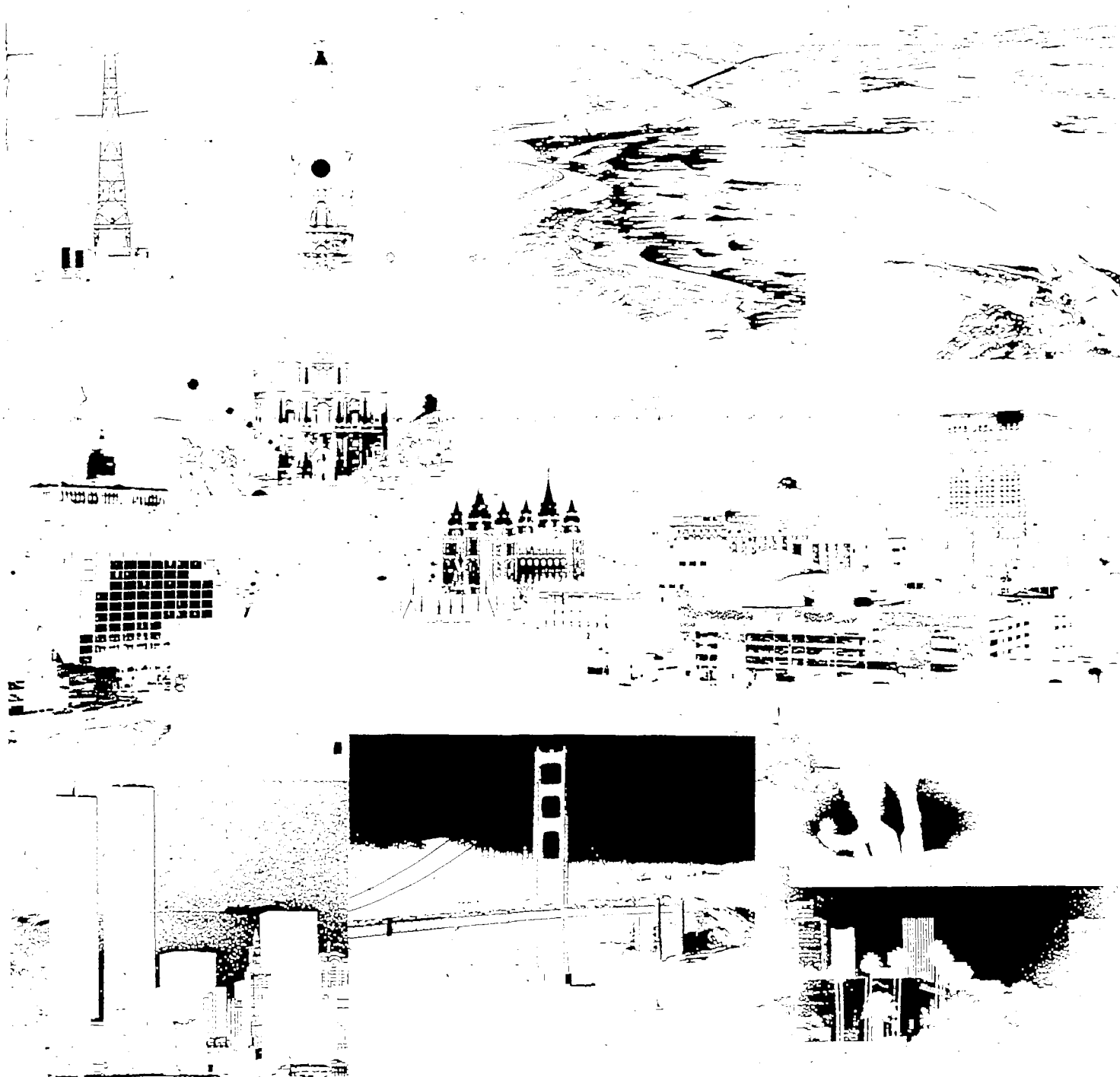


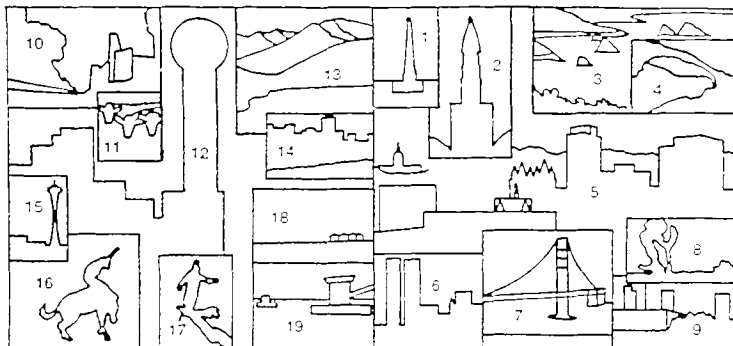
AMERICAN STORES COMPANY



American Stores Company is one of the nation's leading retailers. The Company's operations extend from the Atlantic Seaboard to the Pacific Coast. Its subsidiaries are engaged primarily in the operation of combination food/drug stores, drug stores and retail food stores. The principal subsidiaries include Acme Markets, Inc., Alpha Beta Company, Rea and Derick, Inc., and Skaggs Companies, Inc. The Company, as of January 29, 1983, operated 1027 retail units in 28 states in the West, Midwest, Mid-Atlantic and Southwest regions of the nation.

American Stores Company continues to capitalize upon its leadership in the development of larger combination food/drug stores. American Stores Company has achieved high consumer recognition and success based upon its reputation of offering customers convenience, service, quality and value in a highly competitive retail environment.

1. Oklahoma oil rig
2. City Hall, Philadelphia, Pennsylvania
3. Beach, Carmel, California
4. Landscape arch, Southern Utah
5. Night scene, Salt Lake City
6. World Trade Towers, New York
7. Golden Gate Bridge, San Francisco
8. Arizona desert
9. Downtown Phoenix
10. Las Vegas Strip
11. New Mexico herds
12. Sunset, Dallas, Texas
13. Colorado Rocky Mountains
14. Memphis River
15. Space Needle, Seattle, Washington
16. Wyoming bronco rider
17. Utah powder skier
18. Nebraska grain silos
19. Combining wheat in Kansas



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FINANCIAL HIGHLIGHTS

Fiscal years, 52 weeks ended
January 29, 1983 and
January 30, 1982

American Stores Company
and Subsidiaries

(In thousands of dollars
except per share data)

	1982	1981
Sales	\$7,507,772	\$7,096,590
Net Earnings	\$90,371	\$64,552
Per Common Share	\$8.07	\$5.42
Dividends Declared Per Share		
Common	\$1.00	\$.80
Preferred	\$5.51	\$5.51
Common Shareholders' Equity	\$357,455	\$269,593
Book Value Per Common Share Outstanding	\$36.37	\$29.41
Return on Common Shareholders' Average Equity	24.5%	20.0%
Average Common Shares Outstanding	9,805	9,847

CONTENTS

Letter to Shareholders	2
Selected Financial Charts	3
Maps of Operations	4
Selected Financial Data	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	9
35 Year Financial Summary	14
Board of Directors and Officers	18
Consolidated Financial Statements	19
Report of Independent Auditors	19
Corporate Information	38

ANNUAL MEETING

The Annual Meeting of
Shareholders will be held on
Wednesday, June 1, 1983, at 10:00 a.m. at
Skaggs Telecommunications Service, Inc.
5181 Amelia Earhart Drive
Salt Lake International Center
Salt Lake City, Utah

LETTER TO SHAREHOLDERS

Dear Shareholder

American Stores Company is pleased to report to you, our shareholders, that fiscal 1982 was a good year, with the Company making progress toward both its financial and operational objectives. Net earnings rose 40 percent, and net earnings per share advanced by 49 percent, on a 5.8 percent sales increase. Return on common shareholder equity improved to 24.5 percent.

Sales rose to \$7.5 billion from \$7.1 billion, and we earned \$90.3 million, equal to \$8.07 per common share, up from \$64.5 million or \$5.42 per common share one year earlier. Fourth quarter operating results also reached new highs with net earnings up 20 percent on a 5.2 percent sales improvement.

The unusually strong gains in earnings for 1982 should be somewhat tempered when compared to the results for the prior two years. The Company benefited from certain one-time events which are discussed in detail in the "Management's Discussion and Analysis" (pages 9 through 13) of this report. These benefits were the outgrowth of continuing efforts by the Company over the past three years to streamline operations, including the elimination of non-contributing retail units, the sale of, or elimination of selective entities which are not considered an essential part of our overall long-term operational objectives and early retirement incentive programs. In the coming year we do not anticipate earnings increases to be as spectacular as was experienced in fiscal 1982, as future increases must be achieved without the benefit of these prior year events.

The Company's results were likewise aided by current year events, including a debt-for-equity swap and a lower LIFO charge for the year.

The Company made significant strides during the year in achieving its long-term financial objectives. For the first time since the acquisition in 1979, common shareholders' equity exceeded long-term debt.

The Company believes the major challenges which were inherent with the acquisition are now, for the most part, accomplished. The Company has enjoyed the support of its employees in achieving higher productivity, and we will focus upon strengthening our sales while protecting earnings. Continued emphasis will be placed upon programs to streamline operations while accelerating efforts to identify potential opportunities for growth through new store development.

American Stores Company today is a leaner, more streamlined retail organization, properly structured to take advantage of potential opportunities for growth. In the coming year, we shall continue to work toward our corporate goals of strengthening our financial position, protecting and enhancing our retail market position and reducing operating expenses wherever possible.

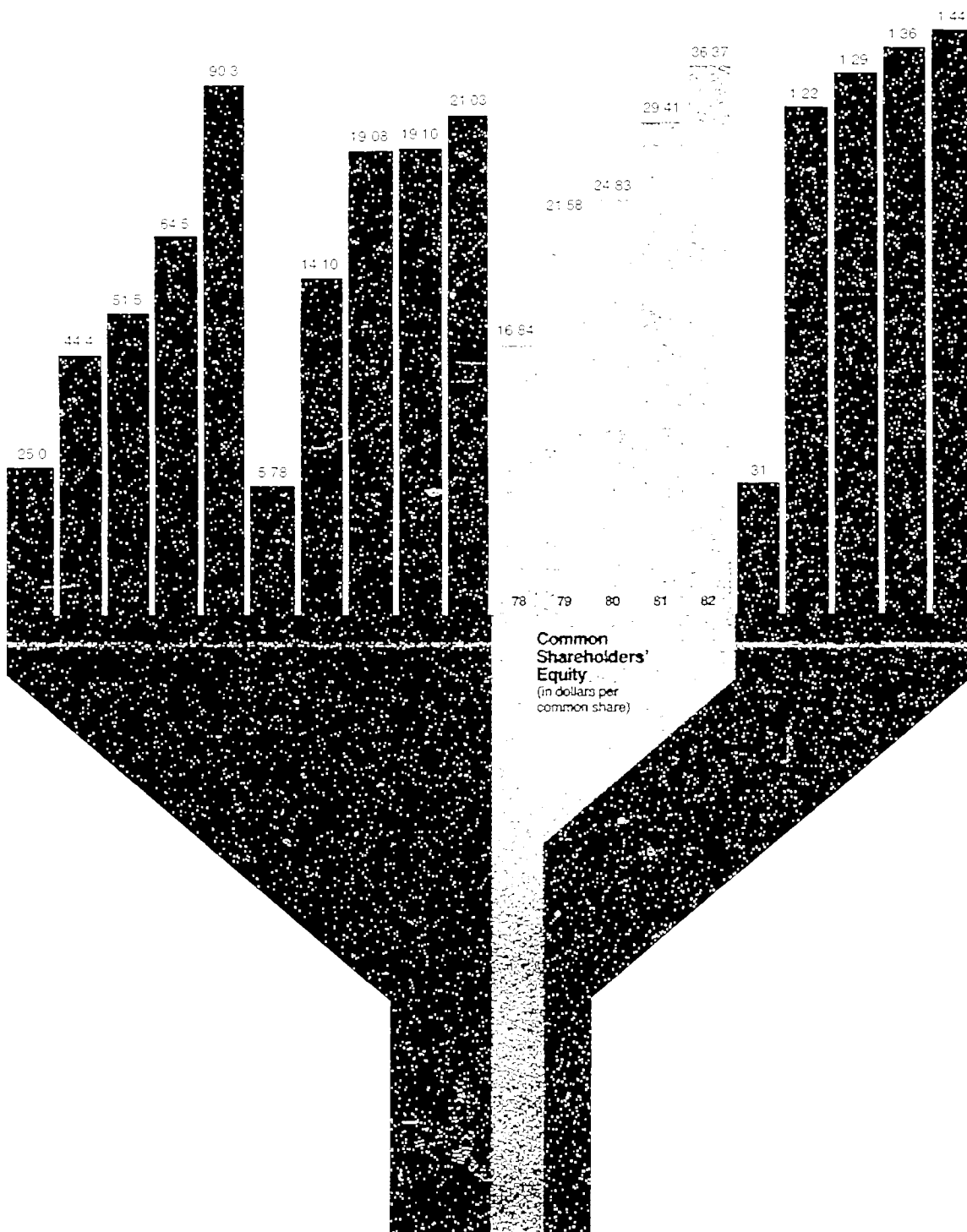
The economy remains uncertain and presents many challenges, but we have the flexibility to respond to them. As always, the support of you, our shareholders, is most appreciated.

Sincerely,



L.S. Skaggs
Chairman of the Board

SELECTED FINANCIAL CHARTS

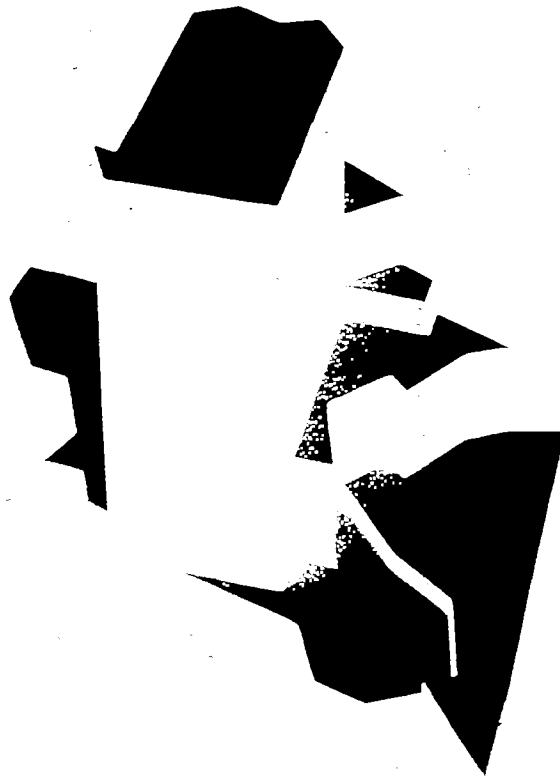




Skaggs Companies, Inc.
operates 190 super drug
centers in 20 states,
comprising 4,894,000 square
feet of retail space with over
15,000 employees. Map also
includes 70 food/drug-
combination stores,
comprising over 3,900,000
square feet of retail space
operated under the Skaggs
Alpha Beta name.

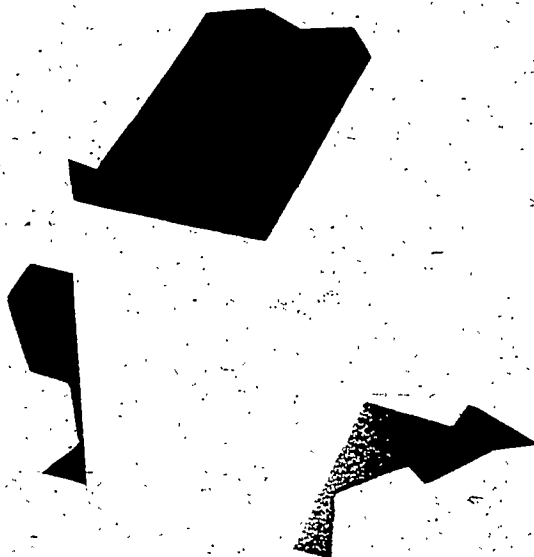


Alpha Beta Company
operates 315 food stores in
two western states,
comprising over 7,900,000
square feet of retail space,
with over 22,000 employees.
Map (above) includes 70
combination food/drug stores
operated under the Skaggs
Alpha Beta name.



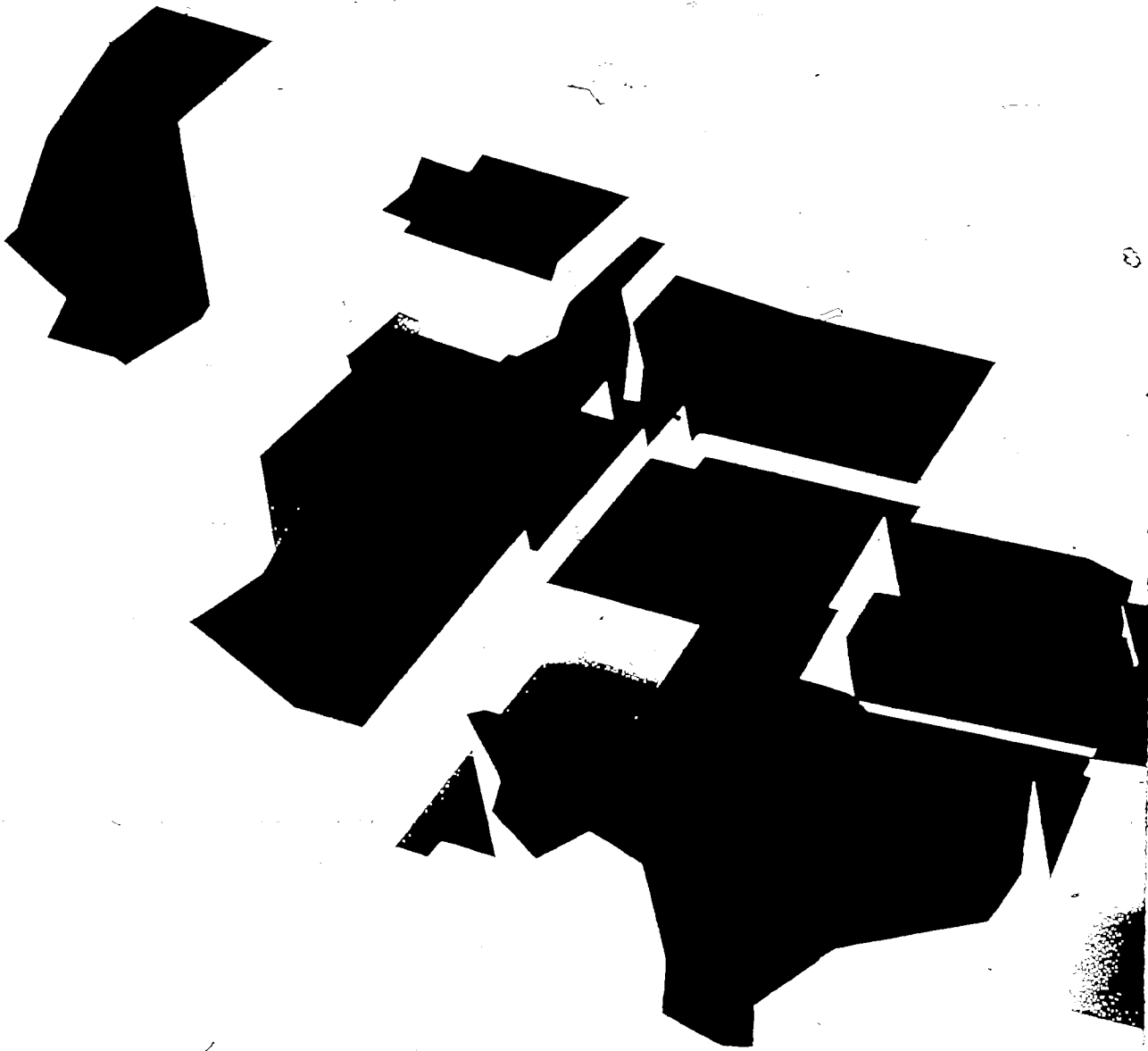
Acme Markets, Inc.

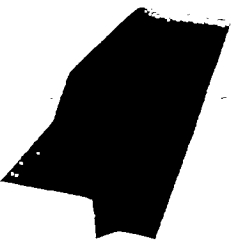
operates 314 food stores in 7 eastern states comprising approximately 7,600,000 square feet of retail space and over 21,000 employees.



Rea and Derick, Inc.

operates 138 retail drug stores in 3 eastern states, comprising over 1,008,000 square feet of retail space with approximately 2,700 employees





American Stores Company

is one of America's leading retail companies operating 1,027 food, drug and combination food/drug stores in 28 states. The Company employs approximately 62,000 people with over 25,000,000 square feet of retail space. The map represents the combined area of operations and square footage for the four major operating subsidiaries, including Acme Markets, Inc., Alpha Beta Company, Rea and Derick, Inc. and Skaggs Companies, Inc.

SELECTED FINANCIAL DATA

American Stores Company
and Subsidiaries

The following consolidated selected financial data of American Stores Company and subsidiaries for the five years ended January 29, 1983 should be read in conjunction with the consolidated financial statements and related notes of the Company appearing elsewhere herein:

(In thousands of dollars, except per share data)	FISCAL YEARS ENDED				
	January 29, 1983	January 30, 1982	January 31, 1981	February 2, 1980 ^{1,2}	December 28, 1978
Sales	\$7,507,772	\$7,096,590	\$6,419,884	\$3,786,332	\$1,089,909
LIFO charge- net of tax	3,126	4,135	6,818	3,487	—
Net earnings	90,371	64,552	51,553	44,434	25,043
Less dividends declared on \$5.51 redeemable preferred stock	(11,220)	(11,220)	(11,220)	(5,915)	—
Net earnings applicable to common stock	79,151	53,332	40,333	38,519	25,043
Average common shares outstanding	9,805	9,847	9,804	8,844	7,976
Earnings per common share	\$8.07	\$5.42	\$4.11	\$4.36	\$3.14
Cash dividends declared per common share ³	1.00	.80	.80	.80	.725
Total assets at year-end	1,444,367	1,356,328	1,292,992	1,218,215	307,764
Long-term obligations ..	352,033	380,470	392,327	399,729	69,210
Redeemable preferred stock	118,110	118,110	118,110	118,110	—

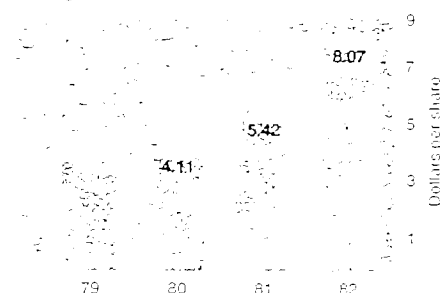
¹Includes results of former American Stores Company from date of the acquisition on July 26, 1979. The Company changed its fiscal year ending date in 1979 to the Saturday closest to January 31.

²53 weeks

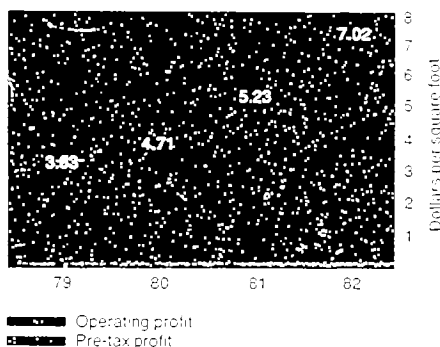
³For restrictions on common dividends, see "Long-term Debt" in notes to consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Earnings Per Common Share



Operating Profit Per Square Foot and
Pre-Tax Profit Per Square Foot



The Company reported a 40% increase in earnings for 1982 to \$8.07 per common share.

Results of Operations

Net earnings for the 52 week period ended January 29, 1983 increased 40% to \$90,371,000, or \$8.07 per common share of stock, compared to \$64,552,000 or \$5.42 per common share of stock for 1981. Net earnings for 1980 amounted to \$51,553,000, or \$4.11 per common share. The difference between net earnings and earnings per common share is attributed to the leveraged effect of the preferred dividends on earnings per common share. The Company continued to experience sales increases in excess of the Company's internally calculated inflation rate of 3.7%. Sales for 1982 increased 5.8% to \$7,507,772,000 compared to sales of \$7,096,590,000 for 1981. Sales for 1982 increased 16.9% above 1980 sales of \$6,419,684,000.

Like store sales, or stores that have been in operation for two full fiscal years, increased 7.0% above 1981. The increase in like store sales exceeded the increase in total sales and was primarily caused by three factors: first, the Company's disposition of the Alphy's Restaurants in September of 1982; second, loss of sales at Acme's American Stores Packing Company, a meat packing facility located in Lincoln, Nebraska and its closing in December 1982 and finally, the second quarter closing of 36 Acme stores located in the Baltimore, Maryland, Washington, D.C., and south central Pennsylvania regions.

Sales increases during the year tended to be stronger in the eastern operating areas and more moderate throughout the remainder of the Company's operations.

The Company reported net earnings of \$90,371,000 and sales of \$7,507,772,000 in fiscal 1982.

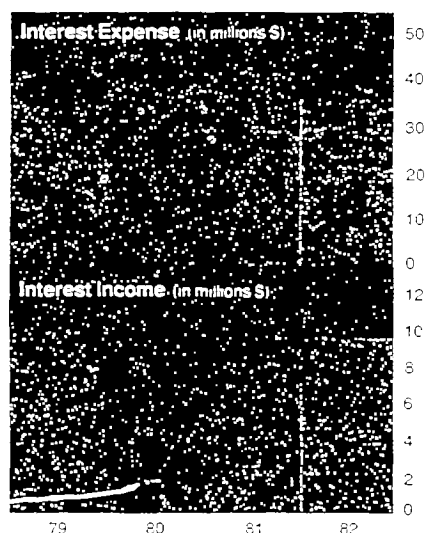
During the year ended January 29, 1983 gross profits increased to 23.8% of sales from 22.8% in 1981 and from 22.2% in 1980. Success of the Company's continuing program to reduce expenses and increase productivity was reflected in operating profits increasing to \$185,563,000, or 2.47% of sales, compared to \$140,742,000, or 1.98%, for 1981 and \$125,437,000, or 1.95%, for 1980.

Operating profits per square foot of retail space increased to \$7.02 in 1982 compared to \$5.23 in 1981 and \$4.71 in 1980. In addition to expense control, the closing of unprofitable stores has had a positive impact upon the Company's operating results.

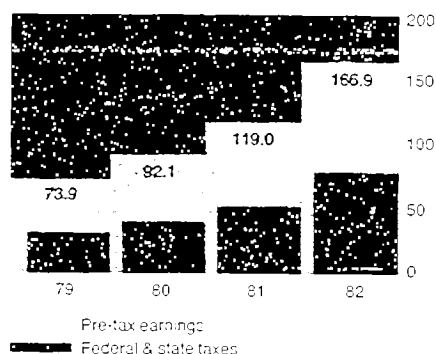
At year end, 30% of the Company's inventory was on the LIFO (last-in, first-out) method as compared to 33% for 1981. The LIFO charge is affected by the inflation rate and the amount of LIFO inventory held during the year. The low inflation rate experienced

MANAGEMENT'S DISCUSSION

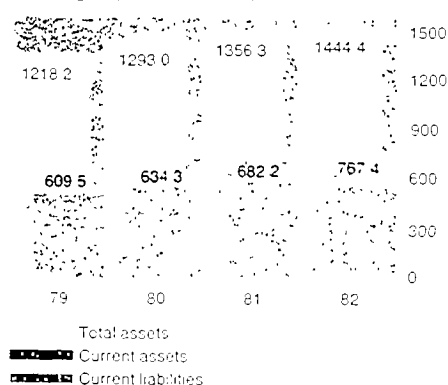
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Pre-Tax Earnings Compared to Federal and State Taxes (in millions \$)



Working Capital (in millions \$)



during 1982 was a major factor in reducing the current year LIFO charge. The pre-tax LIFO charge in the current year amounted to \$5,771,000. Correspondingly, the pre-tax LIFO charges for 1981 and 1980 were \$8,877,000 and \$13,636,000, respectively. As a percent of sales, the pre-tax LIFO charges were .08% in 1982, .13% in 1981 and .21% in 1980. After-tax LIFO charges amounted to \$3,126,000, or \$.32 per common share, for 1982, \$4,135,000, or \$.42 per common share, for 1981, and \$6,818,000, or \$.70 per common share, for 1980.

To allow for comparison with companies on a FIFO (first-in, first-out) basis, the Company's FIFO earnings for 1982, 1981 and 1980 were \$93,497,000, or \$8.39 per common share, \$66,687,000, or \$5.84 per common share, and \$58,371,000, or \$4.81 per common share, respectively.

Interest expense, before capitalized interest, amounted to \$40,002,000, \$45,158,000 and \$50,484,000 for 1982, 1981 and 1980. Of those amounts, \$3,353,000 in 1982, \$2,996,000 in 1981 and \$5,228,000 in 1980 were capitalized in accordance with required accounting principles relating to interest costs associated with long-term construction projects. Other income includes interest income, miscellaneous income and gains from early extinguishment of debt. The Company's cash management program used surplus cash and reserves to reduce bank service charges and earn interest income. Total interest income amounted to \$9,792,000, \$8,297,000 and \$4,925,000 for 1982, 1981 and 1980. Other miscellaneous income, including gain on sale of assets, amounted to \$3,153,000, \$12,091,000 and \$6,990,000 during those same years. Included in other income are gains on early extinguishment of debt of \$2,515,000 in 1982, \$3,862,000 in 1981 and \$190,000 in 1980. The 1982 early extinguishment of debt was accomplished by exchanging 134,103 shares of common stock for debentures with a face value of \$11,626,000.

Pre-tax earnings increased 40% in 1982 to \$166,859,000.

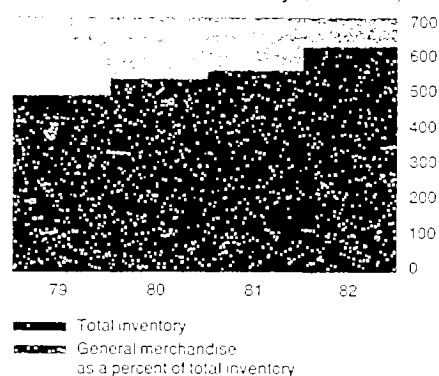
Pre-tax earnings for 1982 amounted to \$166,859,000 compared to \$118,968,000 in 1981 and \$92,096,000 in 1980. The Company's effective consolidated income tax rates were 45.8%, 45.7% and 44.0% in 1982, 1981 and 1980. Fluctuations in the income tax rates are attributable to varying amounts of investment tax credits and capital gains, which are taxed at lower rates. The 1982 income tax rate was also affected by the tax-free status of the debt-for-equity swap.

Liquidity

The Company improved both working capital and current ratios during 1982. At January 29, 1983, working capital increased to \$220,007,000, compared to \$163,384,000 at January 30, 1982, an increase of \$56,623,000. Working capital at January 31, 1981 amounted to \$133,429,000. Current ratios were 1.40 to 1, 1.31 to 1 and 1.27 to 1 at January 29, 1983, January 30, 1982 and January 31, 1981, respectively. Working capital and current ratios

MANAGEMENT'S DISCUSSION

General Merchandise
as a Percent of Total Inventory (in millions \$)



remained relatively constant throughout 1982

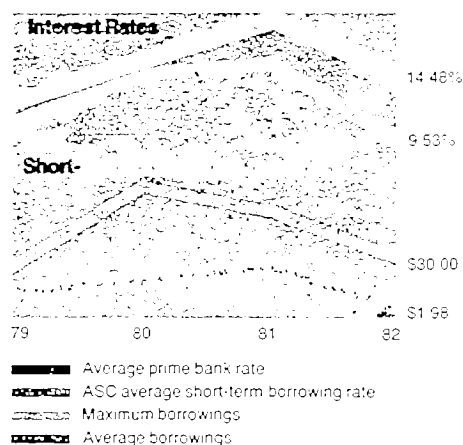
As a supplement to working capital, the Company has arranged for bank lines of credit as well as letters of credit which support a commercial paper facility. At January 29, 1983, the Company had available through nine banks \$65,000,000 in short-term bank lines of credit and a commercial paper facility through three banks of \$50,000,000. The Company believes that the working capital, lines of credit and the commercial paper facility are adequate to meet the presently identified working capital requirements of the Company.

Higher inventories and reductions in relative levels of accounts payable (as a percent of total inventories) were primarily responsible for the increase in working capital.

Increases in inventory were the result of inflation upon existing inventory levels as well as real increases in levels of inventory to meet additional consumer demands. The Company continued to adjust its inventory mix to meet consumer demands, increasing general merchandise to 56.7% of total inventory. Inventory turns represent a method of measuring a company's inventory investment and annual fluctuations. The Company had inventory turns of 9.7 times in 1982, 10.0 times in 1981 and 9.7 times in 1980. Accounts payable are lower because vendor discount terms became more attractive as interest rates declined.

At January 29, 1983, accounts payable were \$305,871,000. As a percent of inventory, accounts payable were 49.9% in 1982, 52.8% in 1981 and 58.2% in 1980.

Other components of working capital maintained levels similar to those in the previous year.



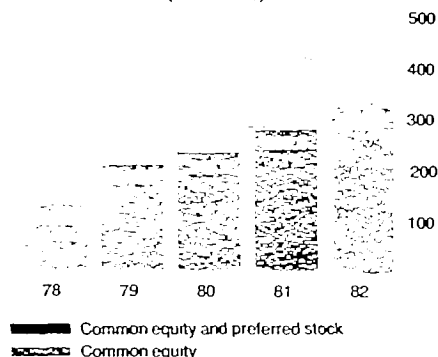
The Company continued to borrow at rates below prime. The Company's average interest rates charged on short-term borrowings were 4.95%, 2.95% and .65% below the prime rates for 1982, 1981 and 1980.

The Company uses short-term borrowings to finance seasonal inventory increases and to finance construction projects prior to long-term debt placement. Average short-term borrowings amounted to \$1,975,000, \$24,989,000 and \$15,431,000 in 1982, 1981 and 1980. The maximum short-term borrowings outstanding in each year were \$30,000,000 in 1982, \$55,000,000 in 1981 and \$69,100,000 in 1980. There were no short-term borrowings at year-end. The Company continued to borrow at rates below prime. Average interest rates charged to the Company on short-term borrowings were 9.53% in 1982, 15.54% in 1981 and 15.05% in 1980. Average prime interest rates for the same periods were 14.48%, 18.49% and 15.70%, respectively.

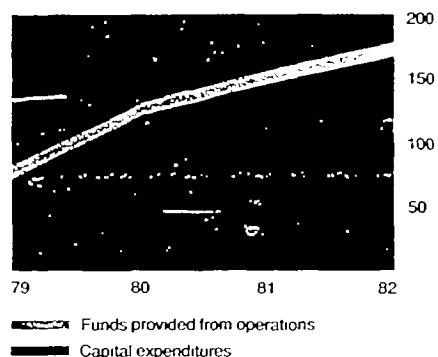
MANAGEMENT'S DISCUSSION

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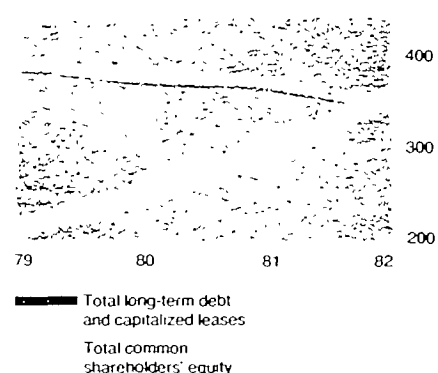
Common Shareholders' Equity as a Percent of Common Shareholders' Equity and Preferred Stock (in millions \$)



Capital Expenditures and Funds Provided from Operations (in millions \$)



Debt-to-Equity (in millions \$)



Long-Term Debt

During 1982, the Company incurred additional long-term debt of \$154,000 and refinanced \$16,843,000 of existing Industrial Development Bonds. In 1981 and 1980, the Company borrowed \$8,152,000 and \$110,244,000, respectively. The long-term debt incurred in 1980 was primarily associated with refinancing debt.

During 1982 the Company maintained an aggressive real estate program, continued to retire debt as required, and accomplished the early extinguishment of \$12,108,000 of debentures of which \$11,626,000 were extinguished in a debt-for-equity swap, without incurring new debt.

During 1982 the Company internally financed capital expenditures of \$107,309,000.

Capital Expenditures

Capital expenditures for 1982, which include the present value of leases that are required to be capitalized under current accounting requirements, amounted to \$113,758,000. Capital expenditures for 1981 and 1980 were \$118,900,000 and \$153,969,000, respectively. During 1983, the Company expects to increase capital expenditures to approximately \$150,000,000, and the Company continues its commitment to having the major portion of the capital expenditures financed from internally generated funds.

The Company continued to strengthen its debt-to-equity ratio, reducing long-term debt and obligations under capitalized leases.

Debt-to-Equity

The Company continued to strengthen its debt-to-equity ratio, reducing long-term debt and obligations under capitalized leases by \$52,791,000 in 1982, \$37,890,000 in 1981 and \$66,085,000 in 1980. These reductions are net of replacement debt but include payments of current maturities associated with long-term debt. Several of the Acme stores closed during the year were accounted for as capitalized leases. Disposal of the stores resulted in a reduction of long-term lease obligations of \$7,608,000. Net long-term debt and obligations under capitalized leases decreased by \$29,499,000 in 1982, \$13,825,000 in 1981 and \$7,402,000 in 1980. Coupled with an increase in common shareholders' equity, the Company's debt-to-common shareholders' equity decreased

MANAGEMENT'S DISCUSSION

to .98 to 1 in 1982. This is the first time since the acquisition of the former American Stores Company in 1979 that common shareholders' equity has exceeded long-term debt. The debt-to-equity ratios for prior years were 1.31 to 1 in 1981 and 1.61 to 1 in 1980. These ratios are reflective of the Company's long-term commitment to strengthen its financial position.

Inflation and Changing Prices

The Notes to Consolidated Financial Statements under the caption "SUPPLEMENTARY INFORMATION ON INFLATION AND CHANGING PRICES (UNAUDITED)" contains a discussion of the effects of inflation using measurement bases developed by the Financial Accounting Standards Board. Explanatory comments are included in the disclosure discussing the effect of changing prices upon the Company's operations. While the Company has made the disclosure as required by the Financial Accounting Standards Board, the Company takes exception to the development of the cost of merchandise sold under the general inflation section of the disclosure because it does not fairly reflect the Company's history of matching sales price with merchandise cost. While the Company understands the desire of the Financial Accounting Standards Board to provide meaningful information about inflation, it feels that the general inflation disclosure adds to the confusion about the "Inflation" disclosure and is contrary to the Board's stated objectives.

35 YEAR FINANCIAL SUMMARY

Fiscal year		1982	1981	1980	1979 ^{1,4}	1978	1977 ²	1976	1975	1974
Net sales (000 omitted) ³		\$7,507,772	7,096,590	6,419,884	3,786,332	1,089,909	899,772	782,444	625,688	498,667
Earnings before taxes ^{2,3} (000 omitted)		\$ 166,859	118,968	92,096	73,904	47,803	37,303	31,118	23,605	18,395
Earnings before taxes as a percent of sales ^{2,3}	%	2.2%	1.7%	1.4%	2.0%	4.4%	4.1%	4.0%	3.8%	3.7%
Net earnings ^{2,3} (000 omitted)		\$ 90,371	64,552	51,553	44,434	25,043	19,674	16,439	12,703	9,550
Net earnings as a percent of sales ^{2,3}	%	1.2%	.9%	.8%	1.2%	2.3%	2.2%	2.1%	2.0%	1.9%
Per common share:										
Net earnings ^{1,2,3}	\$	8.07	5.42	4.11	4.36	3.14	2.47	2.10	1.71	1.29
Cash dividends declared ^{1,3}	\$	1.1	.80	.80	.80	.725	.60	.50	.40	.30
Weighted average shares outstanding (000 omitted)		9,805	9,847	9,804	8,844	7,976	7,976	7,821	7,424	7,403
Common shareholders' equity (000 omitted) ³	\$	357,455	289,593	243,868	210,746	134,324	114,976	103,406	77,806	67,992
Common shareholders' equity per share ³	\$	36.37	29.41	24.83	21.58	16.84	14.42	12.96	10.48	9.16
Return on common average shareholders' equity ^{2,3}	%	24%	20%	18%	22%	20%	19%	18%	17%	15%
Cash dividends declared:										
Common stock	\$	9,806	7,879	7,864	8,186	5,783	4,786	3,971	2,970	2,222
Preferred stock ³	\$	11,220	11,220	11,220	5,915					
Working capital ^{2,3} (000 omitted)	\$	220,007	163,384	133,429	139,095	72,783	72,211	62,312	57,207	54,905
Ratio of current assets to current liabilities ^{2,3}		1.4	1.3	1.3	1.3	1.7	2.0	1.8	2.0	2.5
Retail stores at year-end ³		1,027	1,122	1,136	1,117	241	227	248	231	205
Employees at year-end ¹		62,449	64,716	64,640	64,406	13,648	12,081	10,603	9,758	9,140
Market price range of:										
American Stores Company	High	70	29¾	30½	34½	30⅞	26½	34	18⅝	8⅞
Common stock ¹ (Formerly Skaggs Cos. Inc.)	Low	26¾	21¼	20¼	23½	20¼	17¾	10¼	12⅞	5⅞
	Close	62¼	26¾	23½	28¼	27⅞	25¼	30	15⅞	6⅞
Former American Stores Company	High				54½	36½	34¼	31½	38	23⅞
Common Stock ^{1,3} (Acquired 7/26/79)	Low				29½	27½	30½	26½	24¾	15½
	Close				54½	32	31½	27⅔	35½	21
Preferred stock ³	Close	48¾	37½	39⅞	50½					

¹Adjusted for stock splits and stock dividends.

²Adjusted to reflect compliance with accounting for Capitalized Leases (FASB 13) for 1977 and prior years.

³Includes results of former American Stores Company from date of acquisition on July 26, 1979. The Company changed its fiscal year ending date to the Saturday closest to January 31.

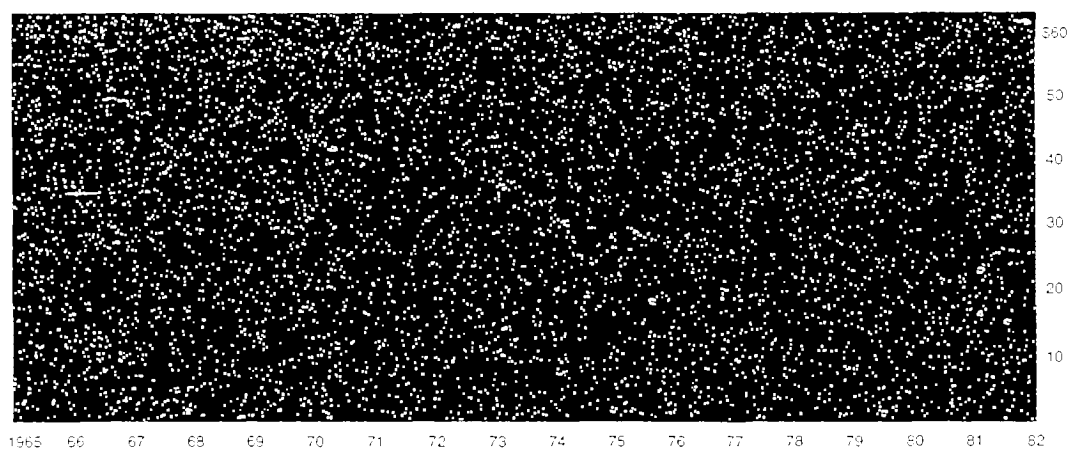
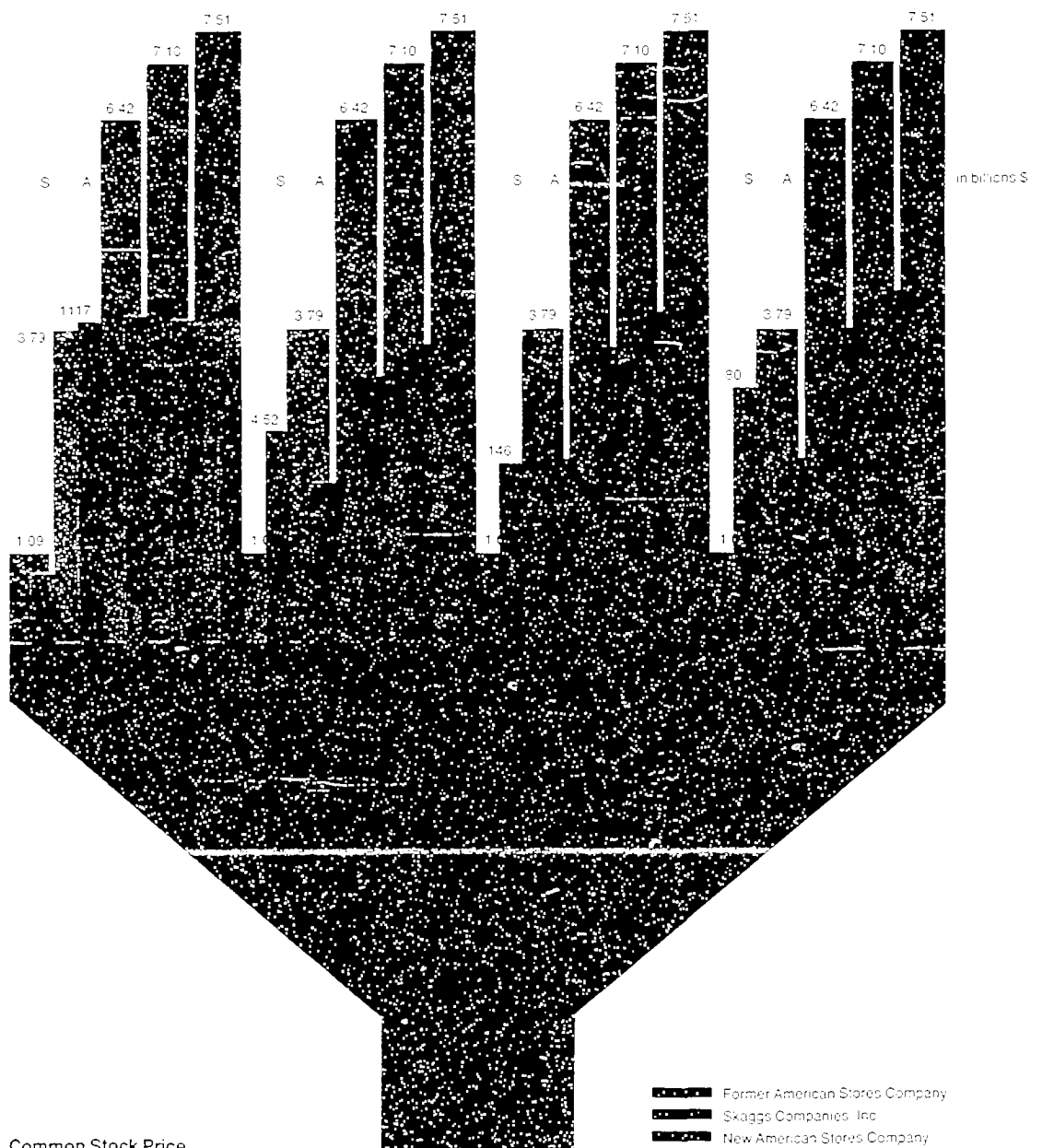
⁴53 week year.

1973	1972	1971	1970 ⁵	1969	1968	1967	1966	1965	1964	1963	1962	1961
412,324	357,419	319,973	183,439	172,244	160,976	138,654	112,047	88,926	75,811	62,320	47,237	40,058
12,728	7,965	9,809	10,208	9,656	7,689	5,245	3,539	2,851	3,034	2,173	2,090	1,819
3.1%	2.2%	3.1%	5.6%	5.6%	4.8%	3.8%	3.2%	3.2%	4.0%	3.5%	4.4%	4.5%
6,844	4,352	4,914	5,048	4,581	3,934	2,836	2,017	1,533	1,639	1,078	1,020	894
1.7%	1.2%	1.5%	2.8%	2.7%	2.4%	2.0%	1.8%	1.7%	2.2%	1.7%	2.2%	2.2%
.92	.59	.66	.94	.85	.76	.58	.41	.31	.33	.22	.21	.19
.27	.27	.26	.24	.23	.21	.15	.15	.04	.04	.04	.04	.02
7,402	7,401	7,434	5,377	5,377	5,184	4,928	4,928	4,928	4,928	4,928	4,797	4,797
60,546	55,674	53,303	51,175	25,169	21,356	14,233	11,770	10,138	9,090	7,634	6,734	5,706
8.18	7.52	7.20	6.88	4.68	3.97	2.89	2.39	2.06	1.84	1.55	1.40	1.19
12%	8%	9%	13%	20%	22%	22%	18%	16%	20%	15%	16%	17%
1,974	1,974	1,958	1,389	826	669	294	142	209	182	178	178	89
49,398	43,853	44,886	33,972	17,897	17,267	14,005	11,817	11,984	8,331	8,360	4,328	4,977
2.4	2.1	2.5	1.9	1.9	2.2	2.2	2.6	2.5	2.4	2.7	2.1	2.6
192	183	177	98	81	80	77	72	65	47	46	33	29
7,818	7,467	6,864	3,428	3,238	3,350	3,265	3,227	2,600	2,103	2,372	1,670	1,450
17 ⁵ / ₈	21	24	18 ³ / ₄	21 ¹ / ₂	21 ⁷ / ₈	11 ⁷ / ₈	7 ¹ / ₄	7 ¹ / ₄				
6 ¹ / ₈	13	13 ⁵ / ₈	10 ⁵ / ₈	12 ³ / ₈	14 ³ / ₈	8 ¹ / ₈	4 ¹ / ₄	n/a				
8 ¹ / ₈	14 ¹ / ₈	15 ¹ / ₃	14 ² / ₃	17	21 ² / ₃	11 ¹ / ₈	4 ¹ / ₄	6 ² / ₃				
17 ¹ / ₃	31 ² / ₃	34 ¹ / ₂	28 ² / ₃	28 ³ / ₄	23 ¹ / ₂	26 ¹ / ₈	31 ¹ / ₄	38 ¹ / ₃	37	37 ⁷ / ₈	44 ³ / ₄	37 ¹ / ₈
15 ¹ / ₃	24 ¹ / ₄	27 ³ / ₄	23 ³ / ₄	25	21 ¹ / ₈	22 ³ / ₄	24 ¹ / ₃	33 ³ / ₄	32 ¹ / ₈	32 ¹ / ₃	39 ¹ / ₈	32 ⁵ / ₈
15 ¹ / ₃	25 ³ / ₈	34	28 ¹ / ₈	29 ¹ / ₄	22 ¹ / ₂	22 ⁷ / ₁₆	24 ¹ / ₂	33 ³ / ₄	31 ⁷ / ₈	33 ¹ / ₃	40 ¹ / ₂	35 ² / ₃

⁵The results of operations and statistics pertaining to the year 1970 do not include the operations of Katz Drug Company which was purchased as of December 31, 1970.

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1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
34,756	31,491	28,957	23,417	20,199	17,856	15,472	13,478	12,387	11,368	9,555	9,468	8,378
1,102	1,331	940	721	548	429	399	566	752	733	740	646	596
3.2%	4.2%	3.2%	3.1%	2.7%	2.4%	2.6%	4.2%	6.1%	6.4%	7.7%	6.8%	7.1%
545	658	480	367	286	229	198	269	330	321	403	393	364
1.6%	2.1%	1.7%	1.6%	1.4%	1.3%	1.3%	2.0%	2.7%	2.8%	4.2%	4.2%	4.3%
.11	.14	.10	.08	.06	.05	.05	.06	.08	.08	.10	.09	.09
.01	.01	.02	.02	.01	.01	.01	.01	.01	.02	.01	.07	.01
4,797	4,797	4,797	4,797	4,497	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196
4,977	4,303	3,691	3,313	3,063	2,492	2,378	2,202	1,998	1,725	1,504	1,163	1,050
1.04	.90	.77	.69	.64	.59	.57	.52	.48	.41	.36	.28	.25
12%	16%	14%	12%	10%	9%	9%	13%	18%	20%	30%	36%	40%
71	18	85	78	67	62	47	61	62	93	62	279	62
4,390	3,107	2,301	2,078	1,583	1,954	1,825	1,285	1,461	1,240	1,240	834	593
2.7	1.8	1.7	1.7	1.9	2.2	2.7	2.2	2.4	2.3	2.3	2.0	1.8
27	25	24	23	22	20	20	16	14	13	11	11	10
1,295	1,209	1,208	1,024	884	848	848	678	593	551	466	466	424
33 $\frac{3}{4}$	40 $\frac{7}{8}$	27 $\frac{1}{3}$	17 $\frac{7}{8}$	20	18 $\frac{2}{3}$	14 $\frac{3}{4}$	11 $\frac{1}{2}$	10 $\frac{1}{8}$	10 $\frac{2}{3}$	9 $\frac{1}{2}$	6 $\frac{3}{4}$	7 $\frac{1}{4}$
27 $\frac{2}{3}$	33 $\frac{3}{4}$	24 $\frac{1}{4}$	16	18	16	13 $\frac{1}{2}$	11	9 $\frac{1}{2}$	9 $\frac{1}{8}$	8 $\frac{1}{4}$	5 $\frac{7}{8}$	6 $\frac{1}{8}$
28 $\frac{1}{4}$	34 $\frac{7}{8}$	27 $\frac{1}{6}$	16 $\frac{3}{4}$	18 $\frac{1}{8}$	16 $\frac{1}{3}$	14 $\frac{1}{4}$	11 $\frac{1}{4}$	9 $\frac{3}{4}$	9 $\frac{7}{8}$	8 $\frac{3}{4}$	6 $\frac{2}{3}$	6 $\frac{1}{2}$



BOARD OF DIRECTORS AND OFFICERS

AMERICAN STORES COMPANY BOARD OF DIRECTORS

William R. Deeley^{3 4}
Director

Thomas W. Field, Jr.¹
President

Williford Gragg^{3 5}
*Retired—Former
Chairman of the Board,
United States Fidelity &
Guaranty Company*

Leon G. Harmon^{3 5}
*President and
Chief Executive Officer
First Interstate Bank
of Utah N A*

John Hartman^{2 a}
Director

L. Spry Kelly^{2 3 5}
*Retired—Former Partner
Coopers & Lybrand*

Thomas W. King
*President, Acme Markets, Inc.**

L. Tom Perry^{2 5}
*Member of the Council
of the Twelve,
The Church of Jesus Christ
of Latter-day Saints*

Isadore M. Scott^{2 4}
*Chairman of the Board,
Tosco Corporation*

Richard L. Shanaman
*Vice Chairman of the
Board and Treasurer*

Aline W. Skaggs^{3 4}
Director

L. S. Skaggs^{1 3 4 5}
Chairman of the Board

Earl P. Staten^{2 5}
*Attorney, Former Partner,
Tibbals and Staten*

Thomas H. Sunday¹
*Executive Vice President
and General Counsel*

I. J. Wagner^{2 4}
*President
The Keystone Company*

- 1 Executive Committee
- 2 Audit Committee
- 2a Ex-officio
- 3 Finance Committee
- 4 Nominating Committee
- 5 Compensation and
Stock Option Committee

*Wholly owned subsidiary of
American Stores Company

AMERICAN STORES COMPANY OFFICERS

L. S. Skaggs
Chairman of the Board

Thomas W. Field, Jr.
President

Richard L. Shanaman
*Vice Chairman of the Board
and Treasurer*

Thomas H. Sunday
*Executive Vice President
and General Counsel*

Richard G. Dunlop
*Executive Vice President
and Secretary*

Calvin O. Drecksell
*Vice President
and Controller*

Michael T. Miller
*Vice President and
Assistant Secretary*

Robert L. Salmon
Vice President

Gerald T. Glancey
Assistant Treasurer

Frederick P. McBrier
Assistant Secretary

Post Office Box 27447 / Salt Lake City, Utah 84127 / Telephone (801) 539-0112

OFFICERS OF THE PRINCIPAL OPERATING SUBSIDIARIES

Acme Markets, Inc.
124 North 15th Street
Philadelphia, Pennsylvania 19101
Telephone (215) 568-3000

THOMAS W. KING
President

**American Stores
Properties, Inc.**
Post Office Box 27447
Salt Lake City, Utah 84127
Telephone (801) 539-0112

RALPH E. DAVIS
President

Alpha Beta Company
777 South Harbor Boulevard
La Habra, California 90631
Telephone (714) 738-2000

THOMAS W. FIELD, JR.
President

**American Stores
Buying Company**
Post Office Box 5907
San Mateo, California 94402
Telephone (415) 349-8181

FRITZ W. KEIL
President

Rea and Derick, Inc.
Fifth and Orange Streets
Northumberland, Pennsylvania 17857
Telephone (717) 473-3511

LARRY L. LaROCK
*Executive Vice President
and General Manager*

**American Stores
Management Systems
Company**
Post Office Box 30658
Salt Lake City, Utah 84130
Telephone (801) 537-3000

SCOTT BERGESON
President

Skaggs Companies, Inc.
Post Office Box 30658
Salt Lake City, Utah 84130
Telephone (801) 537-3000

FENTON L. MAYNARD
*Executive Vice President
and General Manager*

CONSOLIDATED STATEMENTS OF EARNINGS

Fiscal years, 52 weeks ended
January 29, 1983,
January 30, 1982
and January 31, 1981

American Stores Company
and Subsidiaries

(In thousands of dollars,
except per share data)

	1982	1981	1980
Sales	\$7,507,772	\$7,096,590	\$6,419,884
Cost of merchandise sold, including warehousing and transportation expenses	5,718,520	5,478,590	4,990,764
Gross profit	1,789,252	1,618,000	1,429,120
Operating, general and administrative expenses	1,603,689	1,477,258	1,303,683
Operating profit	185,563	140,742	125,437
Other (deductions) income			
Interest expense	(36,649)	(42,162)	(45,256)
Other income	17,945	20,388	11,915
	(18,704)	(21,774)	(33,341)
Earnings before income taxes	166,859	118,968	92,096
Federal and state income taxes	76,488	54,416	40,543
Net earnings	\$ 90,371	\$ 64,552	\$ 51,553
Average common shares outstanding	9,805	9,847	9,804
Net earnings per common share	\$9.07	\$5.42	\$4.11

See notes to consolidated financial statements

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
American Stores Company
Salt Lake City, Utah

We have examined the consolidated balance sheets of American Stores Company and subsidiaries as of January 29, 1983 and January 30, 1982, and the related consolidated statements of earnings, common shareholders' equity, and changes in financial position for each of the three fiscal years in the period ended January 29, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of American Stores Company and subsidiaries at January 29, 1983 and January 30, 1982, and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended January 29, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & W

Los Angeles, California
March 8, 1983

CONSOLIDATED BALANCE SHEETSAmerican Stores Company
and Subsidiaries

(In thousands of dollars)

January 29,
1983January 30,
1982**ASSETS****Current Assets**

Cash and short-term cash investments . . .	\$ 83,222	\$ 53,013
Receivables	44,076	38,924
Inventories	612,528	561,163
Prepaid expenses	27,567	25,793
Properties to be developed and sold within one year	—	3,312
Total current assets	767,393	682,205

Property, Plant and Equipment, at cost

Land	48,616	42,173
Buildings	136,350	118,831
Machinery, equipment and fixtures	460,624	421,652
Leasehold costs and improvements	106,502	101,614
	752,092	684,270
Less accumulated depreciation and amortization	242,131	191,490
Net property, plant and equipment	509,961	492,780

Property Under Capital Leases,less accumulated amortization of \$58,475
in 1982 and \$50,959 in 1981**137,661** 151,900**Other Assets****29,352** 29,443**\$1,444,367** **\$1,356,328**

(In thousands of dollars)

January 29,
1983

January 30,
1982

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Current maturities of long-term debt	\$ 1,041	\$ 1,521
Current obligations under capital leases	9,251	9,833
Trade accounts payable	305,871	296,073
Other accrued liabilities	115,586	103,219
Accrued wages payable	83,899	75,661
Federal and state income taxes	31,738	32,514
Total current liabilities	547,336	518,821

Long-term Debt,

less current maturities	188,325	204,025
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Obligations Under Capital Leases,

less current portion	163,708	176,445
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Other Liabilities

	45,179	35,379
Deferred Income Taxes	24,204	13,955

\$5.51 Cumulative Redeemable

Preferred Stock of \$1 par value

Authorized 2,450,000 shares, issued 2,036,372 shares at redemption value	118,110	118,110
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Common Shareholders' Equity

Common stock of \$1 par value

Authorized 11,000,000 shares, issued 10,004,498 shares in 1982 and 10,000,698 in 1981	10,005	10,001
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Paid-in capital	100,454	95,124
-----------------	----------------	--------

Retained earnings	257,890	188,345
-------------------	----------------	---------

Less cost of common treasury stock,

195,695 shares in 1982 and 154,768 shares in 1981	(10,694)	(3,877)
--	-----------------	---------

Total common shareholders' equity	357,455	289,593
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\$1,444,367	\$1,356,328
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See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Fiscal years, 52 weeks ended
January 29, 1983,
January 30, 1982
and January 31, 1981

American Stores Company
and Subsidiaries

(In thousands of dollars)

Sources of Funds

	1982	1981	1980
Net earnings	\$ 90,371	\$ 64,552	\$ 51,553
Add items charged against earnings not affecting working capital:			
Depreciation and amortization . . .	83,070	80,799	75,079
Deferred income taxes	10,249	11,474	8,224
Other	528	1,063	1,137
Total provided from operations	184,218	157,888	135,993
Proceeds from long-term borrowing	16,997	8,152	110,244
Additions to obligations under capital leases	6,295	17,515	14,740
Disposals of owned properties	19,870	21,635	23,999
Disposals of leased properties	7,876	2,061	2,804
Issuance of treasury stock for debt . .	8,917	—	—
Sale of common stock	213	—	—
Increase in other liabilities	9,800	62	10,398
Other, net	275	(1,390)	1,595
	254,461	205,923	299,773

Uses of Funds

Expended for property, plant and equipment	107,463	101,385	139,229
Additions to property under capital leases	6,295	17,515	14,740
Reduction of long-term debt	32,697	25,376	119,418
Reduction of obligations under capital leases	19,033	12,148	12,968
Cash dividends	21,026	19,099	19,084
Purchase of treasury stock	11,324	445	—
	197,838	175,968	305,439
Increase (decrease) in working capital	56,623	29,955	(5,666)
Working capital— beginning of year	163,384	133,429	139,095
Working capital— end of year	\$220,007	\$163,384	\$133,429

(In thousands of dollars)

1982

1981

1980

**Changes in Components
of Working Capital**

Increase (decrease)
in current assets:

Cash and short-term cash investments	\$30,209	\$23,179	\$(23,559)
Inventories	51,365	26,938	39,048
Other	3,614	(2,230)	9,378
	85,188	47,887	24,867

Increase (decrease)
in current liabilities:

Current maturities of long-term debt	(480)	(1,968)	(32,698)
Current obligations under capital leases	(582)	213	546
Accounts payable and accrued liabilities	22,165	831	44,901
Other	7,462	18,856	17,784
	28,565	17,932	30,533

Increase (decrease) in working capital	<u>\$56,623</u>	<u>\$29,955</u>	<u>\$ (5,666)</u>
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See notes to consolidated financial statements

**CONSOLIDATED STATEMENTS
OF COMMON SHAREHOLDERS'
EQUITY**

Fiscal years, 52 weeks ended
January 29, 1983,
January 30, 1982
and January 31, 1981

American Stores Company
and Subsidiaries

(In thousands of dollars)	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balances at February 3, 1980	\$10,001	\$96,273	\$110,423	\$(5,951)	\$210,746
Net earnings for the 52 weeks ended January 31, 1981			51,553		51,553
Issuance of 57,932 common shares from treasury		(792)		1,455	663
Common dividends— \$.80 per share			(7,864)		(7,864)
Preferred dividends— \$5.51 per share			(11,220)		(11,220)
Other		(10)			(10)
Balances at January 31, 1981	10,001	95,471	142,892	(4,496)	243,868
Net earnings for the 52 weeks ended January 30, 1982			64,552		64,552
Issuance of 32,336 common shares from treasury		(421)		813	392
Common dividends— \$.80 per share			(7,879)		(7,879)
Preferred dividends— \$5.51 per share			(11,220)		(11,220)
Purchase of 18,200 common shares for treasury				(445)	(445)
Other		74		251	325
Balances at January 30, 1982	\$10,001	\$95,124	\$188,345	\$(3,877)	\$289,593

(In thousands of dollars)	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balances at January 30, 1982	\$10,001	\$ 95,124	\$188,345	\$ (3,877)	\$289,593
Net earnings for the 52 weeks ended January 29, 1983			90,371		90,371
Issuance of 174,273 common shares from treasury		5,049		4,507	9,556
Sale of 3,800 common shares	4	209			213
Common dividends— \$1.00 per share			(9,806)		(9,806)
Preferred dividends— \$5.51 per share			(11,220)		(11,220)
Purchase of 215,200 common shares for treasury				(11,324)	(11,324)
Other		72			72
Balances at January 29, 1983	<u>\$10,005</u>	<u>\$100,454</u>	<u>\$257,690</u>	<u>\$(10,694)</u>	<u>\$357,455</u>

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

American Stores Company
and Subsidiaries

SIGNIFICANT ACCOUNTING POLICIES

Business

The Company, through its subsidiaries, is engaged primarily in the operation of retail stores, selling food and drug merchandise.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at the lower of cost or market. The last-in, first-out (LIFO) method is used to determine the cost of certain categories of grocery inventories. Cost of the balance of grocery inventories and all other inventories are computed by either the first-in, first-out (FIFO) or average cost methods.

Depreciation and Amortization

Depreciation and amortization, including amortization of property under capital leases charged to earnings for financial statement purposes, are generally computed using the straight-line method applied to individual property items.

Costs of Opening and Closing Stores

The costs of opening new stores are charged against earnings in the year in which they are incurred. When operations are discontinued and a store is closed, the remaining investment in fixtures and improvements, net of expected salvage, is charged against earnings and provision made for the remaining liability under the lease, net of expected sublease recovery.

Income Taxes

The Company provides for deferred income taxes or credits as timing differences arise in recording income and expenses between financial reporting and tax reporting. The Company accounts for investment tax credits under the "flow-through" method, reducing income tax expense in the year in which the asset that gives rise to the credit is placed in service.

Pension Costs

Pension costs are actuarially computed and include amortization of prior service cost over periods ranging to 30 years. The Company's policy is to fund pension costs accrued to the extent they are currently deductible for income tax purposes.

Net Earnings Per Common Share

Net earnings per common share are determined by dividing the weighted average number of common shares outstanding during the year into net earnings after deducting dividends attributable to preferred shares. Common share equivalents in the form of stock options are excluded from the calculation since they have no material dilutive effect on per share figures.

CASH AND SHORT-TERM CASH INVESTMENTS

Short-term cash investments consist primarily of certificates of deposit, treasury bills and notes, bankers acceptances, repurchase agreements and commercial paper, which are carried at cost, which approximate market. At January 29, 1983 and January 30, 1982, certificates of deposit and other securities with maturity of over 90 days amounted to \$10,774,000 and \$14,170,000; short-term investments were \$49,063,000 and \$58,081,000, respectively. As a result of the Company's cash management program, checks issued and not presented to the bank for payment amounted to \$94,377,000 and \$100,420,000 and have been deducted from cash and short-term cash investments at January 29, 1983 and January 30, 1982, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INVENTORIES

The dry grocery inventories of certain of the Company's subsidiaries are valued by the last-in, first-out (LIFO) method. Inventories valued under the LIFO method amounted to \$186,824,000 at January 29, 1983 and \$183,480,000 at January 30, 1982.

If the first-in, first-out (FIFO) and average cost methods had been used, inventories would have been \$63,518,000 and \$57,747,000 higher at January 29, 1983 and January 30, 1982, respectively. The LIFO charge to earnings, before income taxes, was \$5,771,000 in 1982, \$8,877,000 in 1981 and \$13,636,000 in 1980.

SHORT-TERM BORROWINGS

Lines of credit arrangements for short-term borrowings with a group of banks allow the Company to borrow up to \$115,000,000, including a \$50,000,000 commercial paper facility, on terms mutually agreed to by the Company and the banks. These arrangements are reviewed annually for renewal.

In connection with these lines of credit, the Company has agreed to maintain approximately \$1,000,000 in average compensating balances. The compensating balances also reduce charges for normal banking services provided to the Company. Compensating balances are not restricted as to withdrawal.

LONG-TERM DEBT

A summary of long-term debt is as follows:

(In thousands of dollars)	January 29, 1983	January 30, 1982
Notes payable, 12% due 1990	\$ 75,000	\$ 75,000
Sinking fund debentures: 9 ³ / ₈ % due 1982 through 2001	27,360	37,560
9 ⁷ / ₈ % due through 1990	10,558	12,466
Loans secured by real estate, interest rates from 4 ³ / ₄ % to 14 ³ / ₄ % due through 2004	76,448	80,520
TOTAL	189,366	205,546
Less current maturities	1,041	1,521
Long-term	\$188,325	\$204,025

The aggregate amounts of long-term debt maturing in each of the next five fiscal years are:

(In thousands of dollars)	1983	\$1,041
	1984	2,315
	1985	8,181
	1986	8,150
	1987	7,061

During the year ended January 29, 1983, the Company did not incur material amounts of long-term debt. The Company did refinance \$16,843,000 of existing Industrial Development Bonds in the current year.

In May 1980, the Company issued \$75,000,000 in notes due in 1990. The notes may not be redeemed by the Company prior to June 1, 1987. Thereafter, the notes are redeemable at the option of the Company, in whole or in part, at any time prior to maturity at a price equal to 100% of principal amount plus accrued interest to the redemption date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(cont.)

American Stores Company
and Subsidiaries

The 12% notes payable contain the most restrictive loan covenants which apply to, among other things, the amount of senior funded debt and encumbrances of fixed assets. In addition, dividends plus redemption of any capital stock are limited to net earnings after February 2, 1980 plus \$60,000,000. Retained earnings of \$206,540,000 at January 29, 1983 are available for payment of dividends and redemption of capital stock.

The various loans secured by real estate are collateralized by properties with a net book value of \$64,706,000.

CAPITALIZED INTEREST COSTS

The Company capitalizes interest costs associated with long-term construction projects. Interest costs incurred in 1982, 1981 and 1980 totalled \$40,002,000, \$45,158,000 and \$50,484,000, respectively, of which \$3,353,000, \$2,996,000, and \$5,228,000 were capitalized.

LEASES

The Company leases a major portion of its retail stores and distribution facilities. Initial lease terms range from 15 to 25 years, plus renewal options, and can provide for additional rentals based upon sales volume in excess of specified levels.

The Company has classified its leases as either capital or operating. The summary below shows the aggregate future minimum rental commitments as of January 29, 1983 for both capital and operating leases:

(In thousands of dollars)		
FISCAL YEAR	OPERATING LEASES	CAPITAL LEASES
1983	\$ 42,272	\$ 26,234
1984	42,174	26,222
1985	38,614	24,525
1986	34,707	22,497
1987	33,397	23,240
Thereafter	<u>344,021</u>	<u>228,343</u>
Total minimum rental commitments	<u>\$535,185</u>	351,061
Less executory costs (such as taxes, insurance, and maintenance) included in capital leases		<u>6,569</u>
Net minimum lease payments		344,492
Less amount representing interest		<u>171,533</u>
Obligations under capital leases, including \$9,251 due within one year		<u>\$172,959</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

Rental expense was as follows

(In thousands of dollars)	MINIMUM RENTALS	RENTALS BASED ON SALES	TOTAL RENTALS
1982	\$67,499	\$13,661	\$81,160
1981	55,094	15,121	70,215
1980	48,080	15,359	63,439

INCOME TAXES

Federal and state income taxes charged to earnings are summarized below

(In thousands of dollars)	1982	1981	1980
Current			
Federal	\$64,305	\$45,629	\$24,769
State	10,064	5,838	7,550
Deferred			
Federal	2,041	2,625	8,699
State	78	324	(475)
	<u>\$76,488</u>	<u>\$54,416</u>	<u>\$40,543</u>

The provision for federal income taxes differs from the amount which would be provided by applying the statutory rate (46%) to earnings before income taxes as follows

(In thousands of dollars)	1982	1981	1980
Tax expense computed at statutory federal income tax rate	\$76,755	\$54,752	\$42,364
State income taxes, net of federal income tax	5,406	3,327	3,820
Investment tax credits	(5,813)	(5,613)	(7,963)
Other	140	1,950	2,322
	<u>\$76,488</u>	<u>\$54,416</u>	<u>\$40,543</u>
Effective income tax rate	<u>45.8%</u>	<u>45.7%</u>	<u>44.0%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(cont.)

American Stores Company
and Subsidiaries

Deferred income tax expense resulted from the following:

(In thousands of dollars)	1982	1981	1980
Accelerated depreciation for tax purposes	\$5,582	\$4,530	\$5,975
Reserves for self-insurance	(7,643)	(1,230)	(2,466)
Capitalized interest	1,182	1,133	2,614
Early extinguishment of debt	42	1,883	95
Other	2,956	(3,367)	2,006
	<u>\$2,119</u>	<u>\$2,949</u>	<u>\$8,224</u>

STOCK OPTION PLAN

On May 21, 1975, the shareholders approved a stock option plan for employees, reserving 750,000 shares of common stock. The Company has granted stock options to employees at prices ranging from \$.67 to \$39.25 per share. In 1978, the shareholders approved an amendment to the 1975 plan providing for Stock Appreciation Rights.

Pursuant to the acquisition by the Company of the former American Stores Company, the Company assumed the former American Stores stock option plan with appropriate adjustments to number of shares and exercise prices to give effect to the acquisition. As adjusted, stock options under this plan range in price from \$13.96 to \$43.18 per share.

During the year ended January 29, 1983, the Company granted 15,218 stock options to key employees. The options range in price from \$39.25 to \$43.18 per share.

Under the above described plans, stock options are exercisable on a cumulative basis of ten years or less. Compensation expense recognized was \$1,523,000, \$284,000 and \$51,000 for 1982, 1981 and 1980, respectively. Amounts deferred for future amortization under stock option grants at less than market value were \$190,000 at January 29, 1983, \$312,000 at January 30, 1982 and \$391,000 at January 31, 1981. At January 29, 1983 and January 30, 1982, options for 45,517 and 32,231 shares, respectively, were exercisable. A summary of changes in shares under option follows:

	1982	1981	1980
Outstanding at beginning of year	313,675	401,403	498,803
Granted	15,218	—	—
Exercised	(46,897)	(44,428)	(58,043)
Forfeited	(10,223)	(43,300)	(39,357)
Outstanding at end of year	<u>271,773</u>	<u>313,675</u>	<u>401,403</u>
Average option price per share	<u>\$18.23</u>	<u>\$16.80</u>	<u>\$16.53</u>
Reserved for future grant	<u>653,112</u>	<u>658,107</u>	<u>614,807</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENSION PLANS

Substantially all of the employees of the Company and its subsidiaries are covered under pension plans. Almost all employees who are members of bargaining units are covered by multi-employer plans. For other eligible employees, the Company provides pension benefits through several plans.

The amounts charged to pension expense were:

(In thousands of dollars)	1982	1981	1980
Company-sponsored plans	\$16,877	\$13,902	\$12,719
Multi-employer plans	43,890	43,940	40,506
TOTAL	<u>\$60,767</u>	<u>\$57,842</u>	<u>\$53,225</u>

The net effect of 1982 changes in the actuarial assumptions used to determine costs of the Company-sponsored pension plans and amendments to these plans midway through 1982 was an increase in 1982 pension cost of approximately \$3,000,000.

The actuarially computed value of accumulated benefits of Company-sponsored plans, as estimated by consulting actuaries using an interest rate of 7%, and the net assets available for benefits are shown below. Similar information is not available to the Company for the multi-employer plans discussed above.

Actuarial present value of accumulated benefits:

(In thousands of dollars)	January 1, 1983	January 1, 1982
Vested	\$140,336	\$107,553
Nonvested	17,509	15,854
	<u>\$157,845</u>	<u>\$123,407</u>
Net assets available for benefits	<u>\$166,910</u>	<u>\$138,081</u>

LITIGATION

As previously reported, in addition to various claims and litigation arising in the normal course of business, the Company has been named one of many defendants in a number of private treble-damage antitrust actions brought by alleged producers and feeders of cattle which have been consolidated for pretrial proceedings in the United States District Court for the Northern District of Texas, *In re Beef Industry Antitrust Litigation*, MDL No. 248. These actions allege certain violations of the antitrust laws with respect to the purchase and sale of beef.

In 1977 most of these cases were dismissed by the District Court pursuant to the U.S. Supreme Court's decision in *Illinois Brick Co. v. Illinois*, 431 U.S. 720 (1977). However, the U.S. Court of Appeals for the Fifth Circuit reversed the dismissals and remanded the cases for further proceedings to determine whether the plaintiffs were entitled to invoke the "cost-plus" exception to the rule of *Illinois Brick*, 600 F.2d 1148 (5th Cir. 1979), *cert. denied*, 449 U.S. 905 (1980).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(cont.)

American Stores Company
and Subsidiaries

On June 14, 1982, the District Court granted Defendants' Motion for Summary Judgement on the cost-plus issue, thus disposing of plaintiffs' claims for damages allegedly suffered in their capacity as sellers of live cattle. Subsequently, plaintiffs in several of the actions agreed to dismiss without prejudice remaining claims for injunctive relief and, in two cases, claims for damages alleged to have resulted from a conspiracy to fix the price of beef at retail, subject to possible re-institution of these claims after the resolution of their appeal on the cost-plus issue.

On July 14, 1982, the District Court entered judgments dismissing the complaints in all of those cases in which the Company has been served as a defendant, and plaintiffs have appealed the Court's ruling on the cost-plus issue to the Court of Appeals for the Fifth Circuit. That appeal is still pending.

The claims for injunctive relief arising out of the same alleged conspiracy to fix the wholesale prices of beef remain in four of the cases, but the Court has entered an order staying further proceedings on this issue. In one additional case in which no defendant has been served with the complaint, plaintiffs purport to seek damages and injunctive relief arising from the alleged conspiracy to fix wholesale prices of beef but do not claim the benefit of the cost-plus exception to *Illinois Brick*. No judgment has been entered in that case to date.

In a related action, *Boccardo v. Safeway Stores, Inc.*, the California Court of Appeals, First District, on July 8, 1982 affirmed the Superior Court's dismissal of a complaint naming the Company as one of the defendants based upon the same allegations of conspiracy as those involved in MDL No. 248. Plaintiffs in this action originally filed an action in federal court which was dismissed in 1977 along with the other cases in MDL No. 248 but subsequently asserted similar claims under the California antitrust law, the Cartwright Act. The Superior Court dismissed the action on grounds of *res judicata*. Plaintiffs sought review of this dismissal by the California Supreme Court, but the Court refused to grant such review, and the dismissal of the complaint is now final and non-appealable.

QUARTERLY RESULTS (UNAUDITED)

In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included.

(In thousands of dollars, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
1982					
Sales	\$1,832,675	\$1,872,260	\$1,821,151	\$1,981,686	\$7,507,772
Gross profit	435,739	441,897	433,323	478,293	1,789,252
Net earnings	16,542	20,194	15,733	37,902	90,371
Net earnings per common share	1.40	1.77	1.32	3.58	8.07
1981					
Sales	\$1,677,755	\$1,769,335	\$1,765,829	\$1,883,671	\$7,096,590
Gross profit	375,995	395,710	395,278	451,017	1,618,000
Net earnings	9,741	13,559	9,626	31,626	64,552
Net earnings per common share71	1.08	.69	2.94	5.42

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION ON INFLATION AND CHANGING PRICES (UNAUDITED)

The following information is presented in accordance with the principles of inflation accounting enumerated in Statement of Financial Accounting Standards No. 33, Financial Reporting and Changing Prices. The information attempts to show the impact of changing prices on certain historical financial data. Because the required disclosures are experimental in nature, several different approaches to presenting the data have been mandated which are outlined in the following paragraphs.

The first approach adjusts the historical cost financial statement dollars to dollars of the same general purchasing power. For example, if the inflation rate is ten percent from one year to the next year, then ten percent more dollars are needed in the second year to maintain the same general purchasing power. This adjustment to common units of measurement—constant dollars—is accomplished by using an index which measures inflation. Statement 33 prescribes the use of the Consumer Price Index for All Urban Consumers. Therefore, the constant dollar method starts with historical dollars as recorded using generally accepted accounting principles and adjusts these dollars to reflect changes in purchasing power (inflation) using a consumer price index. Under this constant dollar approach, the assets acquired and liabilities assumed in the acquisition of the former American Stores Company, as well as its post-acquisition operations, have been adjusted using the Consumer Price Index from the purchase date, July 26, 1979.

In a second method, the accompanying data is also adjusted to reflect current costs of inventory and property, plant and equipment which have generally increased over time at a rate different from that of the Consumer Price Index. Current replacement costs have been used to value these items, i.e., the specific prices applicable at year-end 1982 to replace inventory and property, plant and equipment.

In its historical cost financial statements, the Company determines cost of a majority of its inventories using either the first-in, first-out (FIFO) or average cost methods. The last-in, first-out (LIFO) method is used to value all other inventories and for purposes of estimating current cost. The LIFO inventories have been stated at the lower of equivalent FIFO cost or replacement market. Because of the rapid turnover of inventories and the use of LIFO costing for certain items, the cost of merchandise sold, as shown in the financial statements normally approximates current cost at the time of sale. However, such amounts have been adjusted, where appropriate, for the effects of inflation during the time lag between purchase and sale of merchandise.

For the most part, the replacement data represents replacement in-place and in-kind. No consideration has been given to the replacement of assets with a different type, to improved operating cost efficiencies of replacement assets and to similar situations. The replacement costs used, while believed reasonable, are necessarily subjective. They do not necessarily represent amounts for which the assets could be sold or costs which will be incurred in future periods or the manner in which actual replacement of assets will occur. Land has been valued based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(cont.)

American Stores Company
and Subsidiaries

on estimated current market prices. The current costs of the other property, plant and equipment, including buildings under capitalized lease obligations, were developed as follows:

For all other fixed assets, a review of buildings under construction or completed during 1982 was performed to determine actual current cost per square foot for each location for building and equipment costs. The current cost for nonretail facilities was determined through specific identification where possible, or the use of indexes applicable to the type of asset being valued.

In developing current costs of assets acquired in the acquisition of the former American Stores Company, construction costs were determined as discussed in the preceding paragraph. The increase in these costs since July 26, 1979 (date of acquisition) was used to develop indexes of construction costs which have been applied to the costs compared to those assets at the date of acquisition.

Depreciation adjustments, under both the general purchasing power and current cost approaches, have maintained the same methods, useful lives and salvage values as used in computing historical cost depreciation.

As a part of this footnote, there are several tables included to demonstrate the impact of inflation on the Company's financial statements. The first table provides the net changes in earnings, as reported in historical cost financial statements, to adjust for the effects of general inflation and specific prices.

Statement 33 requires that income taxes paid not be modified for the effects of either constant dollar or specific adjustments. Therefore, the effective income tax rate, based on historical earnings, increases when compared with constant dollar results and specific price earnings. This increase points out the serious impact income taxes have on earnings in an inflationary economy.

This table also provides the changes in value which occurred during the year. The first is the unrealized benefit, applicable to both methods, due to inflation with resulting decline in purchasing power of the net monetary amounts owned. A monetary asset is money or a claim to receive a sum of money, the amount of which is fixed or determinable without reference to future prices of specific goods or services. A monetary liability is an obligation to pay a sum of money, the amount of which is fixed or determinable without reference to future prices of specific goods or services. Therefore, cash, short-term cash investments, receivables, current liabilities and long-term debt are monetary items. Since the monetary liabilities at year-end 1982 were larger than the monetary assets, an unrealized benefit is shown.

The second adjustment, applicable only to the specific price method, is the increase in value during the year due to increases in the specific prices for inventory and property, plant and equipment compared to that which is attributed to the increase in value due to the effect of general inflation.

The second table presents values of inventories and property, plant and equipment on the historic cost basis as adjusted for specific price increases at January 29, 1983.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The third table is a five-year summary of results adjusted for the effects of general inflation and for changes in specific prices. For the year 1978, only information applicable for sales, per share dividends, per share market price at year-end and the average consumer price index has been shown because this information covering inventories and property, plant and equipment is not available at a cost management feels justifies the results.

CONSOLIDATED STATEMENT OF EARNINGS AND OTHER CHANGES IN OWNERSHIP INTEREST ADJUSTED FOR CHANGING PRICES FOR THE FISCAL YEAR ENDED JANUARY 29, 1983

(In thousands of dollars)	AS REPORTED	ADJUSTED FOR	
		GENERAL INFLATION	SPECIFIC PRICES
Results of Operations			
Sales	\$7,507,772	\$7,507,772	\$7,507,772
Costs and expenses			
Cost of merchandise sold	5,718,520	5,735,256	5,719,669
Depreciation and amortization	83,070	107,205	109,926
Other costs	<u>1,539,323</u>	<u>1,550,631</u>	<u>1,553,431</u>
Total costs	<u>7,340,913</u>	<u>7,393,092</u>	<u>7,383,026</u>
Earnings before income taxes	166,859	114,680	124,746
Income taxes	<u>76,488</u>	<u>76,488</u>	<u>76,488</u>
Net earnings	<u>\$ 90,371</u>	<u>\$ 38,192</u>	<u>\$ 48,258</u>
Effective income tax rate	<u>45.8%</u>	<u>66.7%</u>	<u>61.3%</u>
Changes in Carrying Value			
Increase in current cost of inventories and property, plant and equipment	\$67,328		
Less effect of increases in the general price level	<u>40,760</u>		
Excess of increases in specific prices over increases in the general price level	\$26,568		

INVENTORY AND PROPERTY, PLANT AND EQUIPMENT ADJUSTED FOR CHANGES IN SPECIFIC PRICES AT JANUARY 29, 1983

(In thousands of dollars)	AS REPORTED	AS ADJUSTED
Inventories	\$612,528	\$677,195
Property, plant and equipment and property under capital leases, net	\$647,622	\$873,834

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(cont.)

American Stores Company
and Subsidiaries

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

(In thousands of dollars,
except per share data)

	1982	1981	1980	1979	1978
Sales					
As reported	\$7,507,772	\$7,096,590	\$6,419,884	\$3,786,332	\$1,089,909
Adjusted for general inflation	7,507,772	7,505,354	7,473,815	4,995,511	1,617,538
Net earnings					
As reported	90,371	64,552	51,553	44,434	
Adjusted for general inflation	38,192	10,872	8,400	9,994	
Adjusted for specific price changes	48,258	39,232	40,452	36,103	
Earnings (loss) per share data					
As reported	8.07	5.42	4.11	4.36	
Adjusted for general inflation	2.75	(.11)	(.48)	.25	
Adjusted for specific price changes	3.78	2.77	2.76	3.19	
(Deficiency) excess of increase in specific prices over increase in the general price level	26,568	(23,232)	(24,748)	33,065	
Purchasing power gain from holding net monetary liabilities	34,758	71,356	102,213	65,866	
Net assets at year-end					
As reported	475,565	407,703	361,978	328,856	
Adjusted for general inflation	698,982	660,336	600,363	509,726	
Adjusted for specific price changes	758,866	679,188	634,036	578,764	
Cash dividends declared per common share					
As reported	1.00	.80	.80	.80	.725
Adjusted for general inflation	1.00	.85	.93	1.06	1.08
Market price per common share at year-end					
Historical amount	62.25	26.75	23.38	28.25	27.875
Adjusted for general inflation	62.25	28.29	27.22	37.26	41.37
Average consumer price index	290.0	274.2	249.1	219.8	195.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMMON STOCK MARKET PRICES AND DIVIDENDS

REDEEMABLE PREFERRED STOCK

The Company's redeemable preferred stock is nonvoting and was issued in connection with the acquisition by the Company of the former American Stores Company. The preferred stock is not redeemable until July 26, 1984. Thereafter, it is redeemable in whole or in part, at the option of the Company, at \$58 per share plus accrued dividends. Beginning July 26, 1989, the Company is required to annually redeem 5% of the number of shares initially outstanding at \$58 per share plus accrued dividends.

The redeemable preferred stock has preferential and cumulative dividends at a rate of \$5.51 per share plus liquidation preference at \$58 per share plus accrued dividends over the holders of common stock.

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Advertising expense amounted to \$90,284,000, \$71,263,000 and \$72,685,000 for 1982, 1981 and 1980, respectively.

The market price range on the New York Stock Exchange and the dividends declared on the Company's common stock are set forth in the table below. The common and preferred shares of the Company are listed on the New York, Philadelphia and Pacific Stock Exchanges under AmStr, and the trading symbol is ASC. The number of shareholders of the Company's common stock at March 2, 1983 was 10,207.

	YEARS ENDED					
	January 29, 1983			January 30, 1982		
	Sales Price		Cash Dividends Declared	Sales Price		Cash Dividends Declared
	High	Low		High	Low	
First Quarter	39³/₈	26³/₄	\$.25	27 ³ / ₈	22 ¹ / ₂	\$.20
Second Quarter . . .	46³/₄	36¹/₂	.25	27 ³ / ₈	24	.20
Third Quarter	67¹/₈	42³/₄	.25	25 ¹ / ₂	21 ¹ / ₄	.20
Fourth Quarter . . .	70	56¹/₂	.25	29 ³ / ₄	25 ¹ / ₄	.20
			\$1.00			\$.80

CORPORATE INFORMATION

American Stores Company

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709 East South Temple
Salt Lake City, Utah 84127

Medical Director

W.E. Peltzer, M.D.

Registrar and Transfer Agent

Morgan Guaranty Trust Company of New York
Trust Department
30 West Broadway
New York, New York 10015
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Shareholder Relations

Shareholder inquiries should be directed to:

Corporate Secretary
Post Office Box 27447
Salt Lake City, Utah 84127
Telephone (801) 539-0112

SEC 10-K Report

In compliance with the requirements of the Securities and Exchange Commission, the Company has incorporated all essential material of its Form 10-K SEC filing requirements within this annual report. The intended result is to provide shareholders with a fully integrated annual disclosure in a single document.

Should you desire the supplementary document on the Form 10-K, it may be obtained without charge from the:

Treasurer's Office
Post Office Box 27447
Salt Lake City, Utah 84127



ISADORE M. SCOTT L. SPRY KELLY

The Company wishes to acknowledge the significant contributions of two distinguished members of the Board of Directors who have reached the mandatory retirement age.

Isadore M. Scott, Chairman of the Board of the Tosco Corporation, Los Angeles, California, has served as a member of the Board for over eleven years, having served on the Board of the former American Stores Company prior to the acquisition. Mr. Scott is an internationally recognized business executive. He was untiring in his efforts to achieve a successful and harmonious transition for the new American Stores Company. His thoughtful leadership was instrumental in assuring the Company's successful evolution into the future.

L. Spry Kelly, retired partner of Coopers & Lybrand, served as a member of the Board of Directors since the acquisition in 1979. As Chairman of the Audit Committee, Mr. Kelly has provided the Board with his vast experience, knowledge and concern for detail. His unselfish dedication has been an important factor in the management of the Company's resources.

